LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6786
BILL NUMBER: SB 396

NOTE PREPARED: Jan 11, 2014
BILL AMENDED:

SUBJECT: Telecommunications Service.

FIRST AUTHOR: Sen. Hershman
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a nonrefundable income tax credit for making investments in relocating telecommunication infrastructure in conjunction with a transportation project. It provides that, to receive the tax credit, a taxpayer must apply to and receive approval from the Indiana Economic Development Corporation. It requires that the infrastructure relocation must meet the requirements of the Indiana Department of Transportation. It requires the taxpayer to remain the telecommunications provider of last resort in the area where the infrastructure relocation investment is made. It specifies that the credit is 50% of the investment made. The bill also allows any excess credit to be carried over to subsequent taxable years.

The bill removes provisions requiring physical connections to furnish telephone service between public utilities. It amends the definition of "basic telecommunications service". It limits the authority of the Utility Regulatory Commission (IURC) with respect to interconnection, resale of telecommunications service, and unbundled access to the authority delegated to the commission under federal law. The bill also repeals a provision authorizing the commission to establish certain rates charged by incumbent local exchange carriers to payphone service providers.

Effective Date: July 1, 2014; January 1, 2015.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs. The DOR's current level of resources should be sufficient to implement this bill.

Indiana Economic Development Corporation (IEDC): The IEDC will incur additional expenses to implement the Telecommunications Infrastructure Relocation Tax Credit. The IEDC is required to develop an application, process applications, and certify investments. The IEDC's current level of resources should be sufficient to implement this program.

Indiana Department of Transportation (INDOT): The bill requires INDOT to provide eligible taxpayers with a certification that the telecommunications infrastructure relocation is completed and in compliance with the project's requirements. The INDOT's current level of resources should be sufficient to implement this program.

Indiana Utility Regulatory Commission (IURC): This bill would minimally reduce workload for the IURC by removing the jurisdiction of the IURC to establish just and reasonable rates that may be charged by an incumbent local exchange carrier to a payphone service provider.

The current payphone tariffs have been in place since 2009 as a result of Cause No. 42303. Rates must be based on costs incurred by the incumbent local exchange carrier to provide the service, consistent with the requirements of 47 U.S.C. 276, nondiscriminatory, and consistent with guidelines for payphone service providers established by the Federal Communications Commission.

Explanation of State Revenues: *Summary* - The bill establishes a nonrefundable income tax credit for taxpayers that make investments in relocating telecommunication infrastructure in conjunction with a transportation project. The credit is effective beginning in tax year 2015, so any revenue impact could begin in FY 2016. However, revenue impact could begin in FY 2015 if taxpayers adjust their quarterly estimated payments.

The data are insufficient to arrive at a precise estimate on the amount of telecommunication relocation investments related to transportation projects that occur every year and that might qualify for this tax credit. However, it is possible to provide a benchmark by allocating national private fixed structural investments made by the wired and wireless communication industrial sector to Indiana. If the credit is approved for 1% of the estimated average communication structural capital investments made by Indiana telecommunication businesses, it could reduce state General Fund revenue by about $0.9 M annually beginning in FY 2016. The actual fiscal impact will depend on the frequency and scope of the qualifying projects and the IEDC's approval process.

Additional Information - The income tax credit provided by this bill equals 50% of the amount of the qualified telecommunication infrastructure relocation investment made during the taxable year. The relocation investment must be related to a transportation improvement project. To receive the credit, the taxpayer must apply to the IEDC. The IEDC will determine if the investment qualifies for the credit and the taxpayer must receive a certification from both INDOT and the IURC to qualify for the credit.

The credit may be applied against an Individual or Corporate Adjusted Gross Income (AGI) tax liability. Revenue collected from those taxes are deposited in the state General Fund. The credit is nonrefundable, but unused credit may be carried forward. Unused credit may not be carried back.

The benchmark is based on private fixed nonresidential structural investment data released by the Bureau of Economic Analysis and total capital expenditures by industry sector published by the U.S. Census Bureau. The national investment information was allocated to Indiana using Indiana's broadcasting and telecommunication GDP as a percent of the national GDP for the broadcasting and telecommunication industrial sector.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Indiana Department of Transportation; Indiana Economic Development Corporation; Indiana Utility Regulatory Commission.

Local Agencies Affected:

Information Sources: Danielle McGrath, Indiana Utility Regulatory Commission, 317-232-2297. U.S. Census Bureau, *Capital Expenditures for Structures and Equipment for Companies with Employees by Industry: 2011,* 2011 Annual Capital Expenditures Survey, released February 12, 2013; Bureau of Economic Analysis, *Investment in Private Nonresidential Fixed Assets - Broadcasting and Telecommunications,* September 30, 2013; Bureau of Economic Analysis, *GDP by State - Indiana,* June 6, 2013;

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